

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Iron County	County Iron
Fiscal Year End 12/31/2006	Opinion Date 6/22/2007	Date Audit Report Submitted to State 6/29/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number (906) 789-3111	
Street Address 901 Ludington Street		City Escanaba	State MI
Zip 49829			
Authorizing CPA Signature <i>Kevin C. Pascoe, CPA</i>		Printed Name Kevin C. Pascoe	License Number 1101026882

**COUNTY OF IRON, MICHIGAN**

**BASIC FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2006**

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**ANDERSON, TACKMAN & COMPANY, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners  
County of Iron  
Crystal Falls, Michigan 49920

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Iron, Michigan as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Iron's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Iron County Medical Care Facility, which represent 60%, 60%, and 65%, respectively, of the assets, net assets, and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Iron County Medical Care Facility, is based on the report of the other auditors.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Iron, Michigan as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2007, on our consideration of the County of Iron, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 through 12 and 59 through 64, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Iron's basic financial statements. The combining nonmajor fund financial statements and the continuing disclosure filing are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements of the County of Iron, Michigan. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The continuing disclosure filing has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Anderson, Tackman & Company P.C.*

Certified Public Accountants

June 22, 2007

## **MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**

Our discussion and analysis of Iron County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2006. Please read it in conjunction with the County's financial statements, which begin on page 13.

### **FINANCIAL HIGHLIGHTS**

- Net assets for the County were reported at \$(2,894,878) for 2006 and were \$(4,601,791) for 2005, an increase of \$1,706,913. For 2006, net assets for our business-type activities were \$1,771,821, while net assets in our governmental activities were \$(4,666,699).
- The County's expenses for 2006 totaled \$7,299,315, revenues totaled \$9,172,654, and net transfers totaled \$(166,426) resulting in an increase of net assets in the amount of \$1,706,913.
- In the County's business type activities, total revenues were \$323,866, or 3.5% of total revenue, expenses totaled \$139,117, or 1.9% of total expenses, and net transfers were \$(42,337). This provides excess revenue over expenses of \$142,412.
- The General Fund reported an increase in fund balance of \$206,385 in 2006 and a decrease of \$11,147 in 2005, representing a change in fund balance of 29.5% and (1.6%), respectively. This was after revenues of \$4,212,024 compared to \$4,218,508 in 2005, and expenditures of \$4,020,295 compared to expenditures of \$4,067,599 in 2005.

### **USING THIS REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 13, 14 and 15) provide information about the activities of the County as a whole and present a longer term view of the County's finances. Fund financial statements start on page 16. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of government.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### Reporting the County as a Whole

#### Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins on page 6. One of the most important questions asked about the County's finances; "Is the County as a whole better off or in worse condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the County's net assets and changes in them. You can think of the County's net assets- the difference between assets and liabilities- as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base to assess the *overall financial health* of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two categories of activities:

- Governmental activities - Most of the County's basic services are reported here including public safety, judicial system, health and welfare, parks and recreation and general administration. Property taxes, state and federal grant funds, and charges for services make up the majority of revenue for these activities.
- Business-type activities - The County charges a fee to customers to help it cover all or most of the costs of certain services it provides. The Construction Code and the collection of delinquent property taxes primarily make up these activities.

The County also presents three legally separate component units; County Road Commission, District Health Department and Medical Care Facility, which are reported separately from the financial information of the County. A separate financial statement is available for the component units at their administrative offices.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### Reporting the County's Most Significant Funds

#### Fund Financial Statements

Our analysis of the County's Major Funds begin on page 8. The fund financial statements begin on page 16 and provide detailed information on the most significant funds - not the County as a whole. Some funds are required to be established by State law, and by bond covenants. However, the County Board of Commissioners establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for certain taxes, grants, and other money. The County's two kinds of funds - governmental and proprietary - use different accounting methods.

- *Governmental funds* - Most of the County's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance County's program. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.
- *Proprietary funds* - When the County charges customers for the services it provides - whether to outside customers or to other units of the County - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

#### The County as a Trustee

The County is the trustee, or *fiduciary*, for tax receipts and other collections, which are collected for other agencies and held for a periodic payment to those agencies. The County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 25. We exclude these funds from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### The County as a Whole

The County's combined net assets increased by \$1,706,913.

**Table 1**  
**Net Assets**

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Assets:				
Current and other assets	\$ 7,284,945	\$ 7,501,024	\$ 1,768,872	\$ 1,614,980
Capital assets (net)	5,608,602	5,172,575	12,000	15,000
Total Assets	<u>12,893,547</u>	<u>12,673,599</u>	<u>1,780,872</u>	<u>1,629,980</u>
Liabilities:				
Long-term debt outstanding	14,323,916	15,105,595	-	-
Other liabilities	3,236,330	3,799,204	9,051	571
Total Liabilities	<u>17,560,246</u>	<u>18,904,799</u>	<u>9,051</u>	<u>571</u>
Net Assets:				
Invested in capital assets, net of related debt	486,372	(171,655)	12,000	15,000
Restricted assets:				
Expendable	540,561	561,853	-	-
Unrestricted	(5,693,632)	(6,621,398)	1,759,821	1,614,409
Total Net Assets	<u>\$ (4,666,699)</u>	<u>\$ (6,231,200)</u>	<u>\$ 1,771,821</u>	<u>\$ 1,629,409</u>

Net assets of the County's governmental activities stood at \$(4,666,699). Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$(5,693,632).

Net assets in our business-type activities stood at \$1,771,821. Unrestricted net assets for our business-type activities were \$1,759,821.

**MANAGEMENT DISCUSSION AND ANALYSIS (Continued):**

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Revenues:				
Program Revenues:				
Charges for services	\$ 1,464,324	\$ 1,580,015	\$ 289,478	\$ 275,003
Operating grants	957,161	984,923	-	-
Capital grants	781,308	181,616	-	-
General Revenues:				
Property taxes	5,450,641	5,361,094	-	-
Unrestricted investment earnings	88,354	50,243	34,388	22,347
Total Revenues	<u>8,741,788</u>	<u>8,157,891</u>	<u>323,866</u>	<u>297,350</u>
Program Expenses:				
Legislative	79,020	79,644	-	-
Judicial system	700,848	672,075	-	-
General government	2,207,847	2,447,381	-	-
Public safety	1,659,432	1,693,680	-	-
Health and welfare	637,311	504,713	-	-
Recreation and culture	563,704	502,295	-	-
Highway and transportation	152,899	146,268	-	-
Community development	205,735	112,630	-	-
Other	321,857	95,991	-	-
Interest on long-term debt	631,545	694,740	-	-
Delinquent tax revolving	-	-	46,262	42,763
Building inspection	-	-	92,855	78,825
Total Expenses	<u>7,160,198</u>	<u>6,949,417</u>	<u>139,117</u>	<u>121,588</u>
Excess (deficiency) before transfers and contributions	1,581,590	1,208,474	184,749	175,762
Transfers	<u>(17,089)</u>	<u>(9,231,819)</u>	<u>(42,337)</u>	<u>(42,653)</u>
Increase (decrease) in net assets	1,564,501	(8,023,345)	142,412	133,109
Net assets - beginning	<u>(6,231,200)</u>	<u>1,792,145</u>	<u>1,629,409</u>	<u>1,496,300</u>
Net assets - ending	<u>\$ (4,666,699)</u>	<u>\$ (6,231,200)</u>	<u>\$ 1,771,821</u>	<u>\$ 1,629,409</u>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### Governmental Activities

Revenues for the County's governmental activities totaled \$8,741,786, while expenses were \$8,280,432. The excess of revenue over expenses was \$461,354 before transfers.

Table three below reflects the cost of each of the County's five largest activities; General government, public safety, judicial system, cultural and recreation, and health and welfare, - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
General government	\$ 2,207,847	\$ 2,447,381	\$ 1,649,890	\$ 1,597,612
Public safety	1,659,432	1,693,680	952,116	1,081,212
Judicial system	700,848	672,075	87,449	(5,138)
Health and welfare	637,311	504,713	571,145	77,369
Cultural and recreation	563,704	502,295	(321,113)	166,732
Totals	<u>\$ 5,769,142</u>	<u>\$ 5,820,144</u>	<u>\$ 2,939,487</u>	<u>\$ 2,917,787</u>

### Business-Type Activities

The County's business-type activities net assets totaled \$1,771,821, with an increase in the current year of \$142,412.

## THE COUNTY'S FUNDS

The focus of the governmental funds of the County is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the County's net resources available for spending at the end of the fiscal year.

For the current fiscal year the County's governmental funds reported total fund balance of \$4,350,501, which was all unreserved. The General Fund fund balance amounted to \$905,060. The General Fund had an increase in fund balance of \$206,385, representing an increase of 29.5% over the prior year fund balance. The previous year (2005) had a decrease in fund balance of \$11,147, representing a decrease of 1.6% over the prior year (2004) fund balance. The main reason for the increase is an \$111,871 realized saving in Consumer Driven Health Insurance costs and the realized income of \$87,612 in unbudgeted and undistributed tax revenue.

## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued):**

The Maintenance of Effort – Medicare Fund had a fund balance of \$408,693, in which \$306,686 is designated for a final settlement payment to be made in the year 2009 to the State of Michigan Department of Social Services for the County Medical Care Facility Maintenance of Effort.

The Revenue Sharing Reserve Fund had a fund balance of \$1,616,574, which is all unreserved and will be drawn down over the next 7.63 years providing a stable source of tax revenue to replace the eliminated State Revenue Sharing.

The EDC/Revolving Loan Fund had an unreserved fund balance of \$36,054.

The Refund Bond Debt Service Fund and 2002 Medical Care Facility Bond Debt Retirement Fund had unreserved fund balance of \$108,584 and \$111,403, respectively.

### **General Fund Budgetary Highlights**

Over the course of the year, the budget was amended several times to recognize unbudgeted revenue and authorize required expenditures. The budgeted revenues net change from the original budget to the final amended budget amounted to \$143,797, representing an increase of 3.6%. In contrast, the 2005 net change was \$257,655 representing an increase of 6.4%. The original budget was conservative in recognizing revenues as a budgetary tool to deal with uncertain revenue sources. New grants received during the year were; Solution Area Planner (Homeland Security) amounting to \$12,500, Remonumentation Grant amounting to \$43,772, and First Responder Vehicle Grant amounting to \$19,000 and were offset by equal and greater expenses. An additional \$48,352 was realized from significantly improved investment earnings and \$18,934 was obtained from three months of a new revenue source; U.S. Marshal's contract for use of excess jail capacity.

Actual revenue of \$4,212,024 was comparable with final amended budgeted revenue of \$4,130,699, resulting in a variance of \$81,325 or 2%. The final amended budgeted expenditures decreased by \$77,587 over the original budget, representing a decrease of 1.9%. In contrast, the 2005 final amended budget expenditures increased by \$295,096 over the original budget representing an increase of 7.6%. Significant structural changes are producing sustainable cost efficiencies by replacing full-time County employees with part-time contract employees (Economic Developer, Probation Officer, and Assistant Prosecutor). In addition to these fringe benefit savings, the County obtains predictable defined contribution retirement plan costs associated for new hires who no longer are provided the unpredictable expenses of the existing employees defined benefit payment retirement plan. Iron County does not offer post retirement health benefits. As previously mentioned, Iron County has initiated a consumer driven high deductible high co-pay Health Plan with monthly employer contributions to individual Health Reimbursement Accounts and there has been an \$111,871 reduction in the total costs for the past year. Actual results showed an increase to fund balance of \$206,385 compared to a decrease of \$11,147 in 2005. Actual expenditures amounted to \$4,020,295 compared with final amended budgeted expenditures of \$4,082,634, resulting in a positive variance of \$62,339 or 1.6%.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal year 2006, the County had \$5,620,602, net of accumulated depreciation, invested in a variety of capital assets including land, buildings, vehicles, equipment and infrastructure. (See table 4 below)

**Table 4**  
**Capital Assets at Year-End**  
**(Net of accumulated depreciation)**

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Land	\$ 166,118	\$ 166,118	\$ -	\$ -
Buildings	5,145,867	4,753,939	-	-
Vehicles	67,763	51,003	12,000	15,000
Equipment	195,214	163,022	-	-
Infrastructure	33,640	38,493	-	-
Totals	<u>\$ 5,608,602</u>	<u>\$ 5,172,575</u>	<u>\$ 12,000</u>	<u>\$ 15,000</u>

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued):

### DEBT

At year-end the County had \$14,323,916 in bonds and loans outstanding.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
General Obligation Unlimited Bonds:				
Jail - 1995	-	140,000	-	-
Medical Care Facility - 2002	8,125,000	8,485,000	-	-
County Courthouse Complex - 2003	2,692,230	2,742,230	-	-
Refunding Bonds - 2005	2,820,000	2,960,000	-	-
General Obligation Limited Bonds:				
County Courthouse Complex - 2003	380,000	387,000	-	-
US 2 Lift Station Improvements - 2004	-	107,000	-	-
Maintenace of Effort Obligation	306,686	284,365	-	-
Totals	<u>\$ 14,323,916</u>	<u>\$ 15,105,595</u>	<u>\$ -</u>	<u>\$ -</u>

There were no additions to long-term debt during the fiscal year. The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The County's outstanding general obligation debt of \$14,323,916 is well below statutory limits. There is no outstanding debt for business-type activities at year-end.

## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued):**

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The County Board of Commissioners and county management have considered many factors when it set and amends the 2007 fiscal year budget, and tax rates and fees that will be charged for services. Recognizing the inability of the State to address their structural problems by following the example of local government, the County Board of Commissioners repaid the Budget Stabilization Fund, from the 2007 increase in fund balance, \$98,500 and invested \$90,000 in the Pentoga Park Construction Fund. Expenditures from the Budget Stabilization Fund can only be made for county program continuation as authorized by a 2/3 vote of the members serving on the County Board. The investment in the Pentoga Park campground expansion will be conservatively repaid over a term of five years at 5% interest from increased fees charged to campers. In order to best control the costs of providing veterans counseling services, the County Board has eliminated this department and intends to contract for this service. The newly formed Parks and Recreation Commission has gone on record supporting the intention of the County Board to offer property for sale that are identified as not serving a public purpose to increase the tax base and fund capital asset improvements. The Economic Development Commission has been successful in establishing a Contact Center business in a building it owns, has refurbished, and expanded, providing workstations for over 100 employees. The Contract Center business handles incoming, not outgoing calls, and the owners are now considering expansion for another 100 workstations in the upcoming year. The cost of living in the Iron County area is well below the national average and the area has stabilized as to job loss and creation. The core city residential property values and the growth of new service retail businesses established near the contract center have begun to establish a growing property base. Real estate values continue to climb and are now peaking on the County's vast inventory of lake and river frontage. These factors were taken into account when establishing and amending the 2007 budget.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, tax payers and customers, as well as investors and creditors with a general overview of the County's finances and to show the County's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the County Administrator at the Iron County Courthouse, 2 South Sixth Street, Suite 7, Crystal Falls, Michigan 49920-1413.



**COUNTY OF IRON, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**December 31, 2006**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents			
Restricted	\$ 12,000	\$ -	\$ 12,000
Unrestricted	3,532,252	1,246,234	4,778,486
Receivables:			
Accounts	57,133	-	57,133
State of Michigan	333,774	-	333,774
Current/delinquent property taxes	2,942,739	-	2,942,739
Notes	381,897	-	381,897
Prepays	21,955	-	21,955
Inventory	3,195	-	3,195
Total current assets	<u>7,284,945</u>	<u>1,246,234</u>	<u>8,531,179</u>
Noncurrent assets:			
Investments/assets limited to use	-	-	-
Delinquent taxes	-	458,758	458,758
Accrued interest on taxes	-	63,880	63,880
Capital assets, net of accumulated depreciation	5,608,602	12,000	5,620,602
Other assets	-	-	-
Total noncurrent assets	<u>5,608,602</u>	<u>534,638</u>	<u>6,143,240</u>
Total assets	<u>\$ 12,893,547</u>	<u>\$ 1,780,872</u>	<u>\$ 14,674,419</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 346,385	\$ 8,778	\$ 355,163
Accrued payroll	88,013	273	88,286
Accrued interest	99,427	-	99,427
Deferred revenue	2,483,108	-	2,483,108
Internal balances	16,938	-	16,938
Other liabilities	-	-	-
Long-term liabilities due within one year:			
Compensated absences	50,615	-	50,615
Bonds/loans payable	733,000	-	733,000
Total current liabilities	<u>3,817,486</u>	<u>9,051</u>	<u>3,826,537</u>
Long-term liabilities:			
Compensated absences	151,844	-	151,844
Bonds/loans payable	13,590,916	-	13,590,916
Total long-term liabilities	<u>13,742,760</u>	<u>-</u>	<u>13,742,760</u>
Total liabilities	<u>17,560,246</u>	<u>9,051</u>	<u>17,569,297</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	486,372	12,000	498,372
Restricted for expendable:			
Special revenue	106,054	-	106,054
Debt service	433,404	-	433,404
Capital projects	1,103	-	1,103
Unrestricted	(5,693,632)	1,759,821	(3,933,811)
Total net assets	<u>(4,666,699)</u>	<u>1,771,821</u>	<u>(2,894,878)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 12,893,547</u>	<u>\$ 1,780,872</u>	<u>\$ 14,674,419</u>

See accompanying notes to the financial statements

Component Units		
Road Commission	District Health	Medical Care Facility
\$ -	\$ -	\$ -
423,448	283,655	509,108
48,816	164,590	1,159,175
482,812	96,096	-
-	92,774	-
-	-	-
-	3,986	-
581,331	-	55,786
<u>1,536,407</u>	<u>641,101</u>	<u>1,724,069</u>
-	-	49,321
-	-	-
-	-	-
10,288,894	56,056	16,787,408
19,933	-	194,746.00
<u>10,308,827</u>	<u>56,056</u>	<u>17,031,475</u>
<u>\$ 11,845,234</u>	<u>\$ 697,157</u>	<u>\$ 18,755,544</u>
\$ 269,840	\$ 39,197	\$ 704,856
28,094	76,681	520,210
35,397	-	22,101
213,426	92,774	-
-	-	-
157,515	367	144,198
71,442	41,796	849,825
201,101	-	153,683
<u>976,815</u>	<u>250,815</u>	<u>2,394,873</u>
214,327	125,388	-
2,184,454	-	3,443,842
<u>2,398,781</u>	<u>125,388</u>	<u>3,443,842</u>
<u>3,375,596</u>	<u>376,203</u>	<u>5,838,715</u>
7,899,695	56,056	13,189,883
-	-	-
-	-	36,431
569,943	264,898	(309,485)
<u>8,469,638</u>	<u>320,954</u>	<u>12,916,829</u>
<u>\$ 11,845,234</u>	<u>\$ 697,157</u>	<u>\$ 18,755,544</u>

**COUNTY OF IRON, MICHIGAN**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2006**

Functions/Programs Primary government:	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions		Primary Government			
			Capital Grants and Contributions		Governmental Activities	Business-type Activities	Total	Component Units
Legislative	\$ 79,020	\$ -	\$ -	\$ -	\$ (79,020)	\$ -	\$ (79,020)	\$ -
Judicial system	700,848	181,974	431,425	-	(87,449)	-	(87,449)	-
General government	2,207,847	344,788	213,169	-	(1,649,890)	-	(1,649,890)	-
Public safety	1,659,432	450,730	256,586	-	(952,116)	-	(952,116)	-
Health & welfare	637,311	18,937	47,229	-	(571,145)	-	(571,145)	-
Cultural and recreation	563,704	305,051	4,193	575,573	321,113	-	321,113	-
Highway & transportation	152,899	6,347	1,111	-	(145,441)	-	(145,441)	-
Community development	205,735	102,222	1,494	205,735	103,716	-	103,716	-
Other	321,857	54,275	1,954	-	(265,628)	-	(265,628)	-
Interest on long-term debt	631,545	-	-	-	(631,545)	-	(631,545)	-
Total governmental activities	7,160,198	1,464,324	957,161	781,308	(3,957,405)	-	(3,957,405)	-
Business-type activities:								
Delinquent tax revolving/tax collections	46,262	183,133	-	-	-	136,871	136,871	-
Building inspection	92,855	106,345	-	-	-	13,490	13,490	-
Total business-type activities	139,117	289,478	-	-	-	150,361	150,361	-
Total primary government	7,299,315	1,753,802	957,161	781,308	(3,957,405)	\$ 150,361	\$ (3,807,044)	\$ -
Component units:								
Road Commission	3,086,906	884,609	4,706,402	-	-	-	-	2,504,105
Medical Care Facility	15,190,224	14,259,488	315,839	-	-	-	-	(614,897)
District Health Department	2,160,749	2,241,698	-	-	-	-	-	80,949
Total component units	20,437,879	17,385,795	5,022,241	\$ -	-	-	-	1,970,157
General revenues:								
Property taxes, levied for general purpose					4,243,888	-	4,243,888	-
Property taxes, levied for debt service					1,206,753	-	1,206,753	-
Unrestricted investment earnings					88,354	34,388	122,742	12,277
Special items:								
Gain on disposal of equipment					-	-	-	1,574
Transfer of long-term debt to Medical Care Facility					107,000	-	107,000	-
Transfers					(124,089)	(42,337)	(166,426)	166,426
Total general revenues, special items, and transfers					5,521,906	(7,949)	5,513,957	180,277
Change in net assets					1,564,501	142,412	1,706,913	2,150,434
Net assets, beginning					(6,231,200)	1,629,409	(4,601,791)	19,556,987
Net assets, ending					\$ (4,666,699)	\$ 1,771,821	\$ (2,894,878)	\$ 21,707,421

See accompanying notes to the financial statements

**COUNTY OF IRON, MICHIGAN**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2006**

	General Fund	Maintenance of Effort - Medicare	Revenue Sharing Reserve	EDC/Revolving Loan
<b>ASSETS</b>				
Cash and equivalents:				
Restricted	\$ -	\$ -	\$ -	\$ -
Unrestricted	890,953	445,224	858,868	50,835
Receivables:				
State of Michigan	136,267	-	-	-
Current property taxes	201,724	545,141	730,543	-
Accounts	13,012	-	-	481
Notes	-	-	-	381,897
Due from other funds	1,800	-	27,163	29,767
Inventory	-	-	-	-
Prepaid expense	21,955	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 1,265,711</u>	<u>\$ 990,365</u>	<u>\$ 1,616,574</u>	<u>\$ 462,980</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 155,354	\$ 36,531	\$ -	\$ 64
Due to other funds	71,487	-	-	14,918
Accrued payroll and related liabilities	73,243	-	-	280
Deferred revenue	60,567	545,141	-	411,664
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>360,651</u>	<u>581,672</u>	<u>-</u>	<u>426,926</u>
<b>FUND BALANCES</b>				
Reserved for:				
Prepaid items	21,955	-	-	-
Specific purpose	-	-	-	-
Unreserved:				
Designated	-	306,686	-	-
Undesignated	883,105	102,007	1,616,574	36,054
Unreserved, reported as non-major:				
Special revenue funds	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>905,060</u>	<u>408,693</u>	<u>1,616,574</u>	<u>36,054</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 1,265,711</u>	<u>\$ 990,365</u>	<u>\$ 1,616,574</u>	<u>\$ 462,980</u>

See accompanying notes to the financial statements

<u>Refund Bond Debt Service</u>	<u>2002 MCF Bond Debt Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 12,000	\$ 12,000
108,584	111,403	1,066,385	3,532,252
-	-	197,507	333,774
344,552	650,351	470,428	2,942,739
-	-	43,640	57,133
-	-	-	381,897
-	-	42,418	101,148
-	-	3,195	3,195
-	-	-	21,955
<u>\$ 453,136</u>	<u>\$ 761,754</u>	<u>\$ 1,835,573</u>	<u>\$ 7,386,093</u>
\$ -	\$ -	\$ 154,436	\$ 346,385
-	-	31,681	118,086
-	-	14,490	88,013
344,552	650,351	470,833	2,483,108
<u>344,552</u>	<u>650,351</u>	<u>671,440</u>	<u>3,035,592</u>
-	-	-	21,955
-	-	12,000	12,000
-	-	-	306,686
108,584	111,403	-	2,857,727
-	-	878,274	878,274
-	-	272,756	272,756
-	-	1,103	1,103
<u>108,584</u>	<u>111,403</u>	<u>1,164,133</u>	<u>4,350,501</u>
<u>\$ 453,136</u>	<u>\$ 761,754</u>	<u>\$ 1,835,573</u>	<u>\$ 7,386,093</u>

COUNTY OF IRON, MICHIGAN  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE**  
**TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
December 31, 2006

Total fund balances for governmental funds	\$ 4,350,501
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	166,118	
Buildings	7,335,882	
Vehicles	106,471	
Equipment	238,717	
Infrastructure	50,029	
Accumulated depreciation	<u>(2,288,615)</u>	
Total capital assets		5,608,602

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Accrued interest on long-term debt	(99,427)	
Bonds/loans payable	(14,323,916)	
Compensated absences	<u>(202,459)</u>	<u>(14,625,802)</u>

Total net assets of governmental activities	<u>\$ (4,666,699)</u>
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See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2006**

	General Fund	Maintenance of Effort - Medicare	Revenue Sharing Reserve	EDC/Revolving Loan
<b>REVENUES:</b>				
Taxes	\$ 2,715,574	\$ 525,097	\$ 730,543	\$ -
Licenses and permits	6,401	-	-	-
Federal sources	245,883	-	-	-
State sources	548,523	-	-	-
Charges for services	506,928	-	-	-
Interest and rentals	88,352	25,316	17,654	1,494
Other	100,363	-	-	102,222
Total revenues	4,212,024	550,413	748,197	103,716
<b>EXPENDITURES:</b>				
Legislative	79,020	-	-	-
Judicial system	649,474	-	-	-
General government	2,060,114	-	-	-
Public safety	1,103,215	-	-	-
Highway and transportation	-	-	-	-
Cultural and recreation	37,897	-	-	-
Health and welfare	24,610	428,269	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	65,965	-	-	186,183
Total expenditures	4,020,295	428,269	-	186,183
Excess revenues (expenditures)	191,729	122,144	748,197	(82,467)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	306,857	-	-	12,500
Transfer out	(292,201)	(300,000)	(231,293)	-
Total other financing sources (uses)	14,656	(300,000)	(231,293)	12,500
Net change in fund balance	206,385	(177,856)	516,904	(69,967)
Fund balances - beginning of year	698,675	586,549	1,099,670	106,021
Fund balances - end of year	\$ 905,060	\$ 408,693	\$ 1,616,574	\$ 36,054

See accompanying notes to financial statements

Refund Bond Debt Service	2002 MCF Bond Debt Retirement	Nonmajor Governmental Funds	Total Governmental Funds
\$ 249,897	\$ 735,977	\$ 493,553	\$ 5,450,641
-	-	-	6,401
-	-	771,628	1,017,511
-	-	58,935	607,458
-	-	608,210	1,115,138
3,623	8,601	24,059	169,099
970	-	171,983	375,538
254,490	744,578	2,128,368	8,741,786
-	-	-	79,020
-	-	20,334	669,808
-	-	-	2,060,114
-	-	411,213	1,514,428
-	-	152,899	152,899
-	-	503,237	541,134
-	-	162,111	614,990
-	-	205,735	205,735
-	-	790,589	790,589
280,000	360,000	57,000	697,000
108,250	343,141	181,467	632,858
241	268	69,200	321,857
388,491	703,409	2,553,785	8,280,432
(134,001)	41,169	(425,417)	461,354
223,131	-	451,102	993,590
-	-	(294,185)	(1,117,679)
223,131	-	156,917	(124,089)
89,130	41,169	(268,500)	337,265
19,454	70,234	1,432,633	4,013,236
\$ 108,584	\$ 111,403	\$ 1,164,133	\$ 4,350,501



IRON COUNTY, MICHIGAN  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2006

Net changes in fund balances - total governmental funds	\$ 337,265
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$744,326) were in excess of depreciation expense (\$308,300).	436,026
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	697,000
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Long-term debt associated with the US 2 Lift Station was transferred to the Medical Care Facility during the current fiscal year.	107,000
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Maintenance of Effort	(22,321)	
Compensated absences	8,216	
Accrued interest on bonds	1,315	(12,790)

Changes in net assets of governmental activities	\$ 1,564,501
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See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**December 31, 2006**

	Tax Revolving 2006	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents			
Unrestricted	\$ 669,432	\$ 576,802	\$ 1,246,234
Total current assets	669,432	576,802	1,246,234
Noncurrent assets:			
Receivables:			
Delinquent taxes	392,907	65,851	458,758
Accrued interest on taxes	39,291	24,589	63,880
Capital assets, net of accumulated depreciation	-	12,000	12,000
Total noncurrent assets	432,198	102,440	534,638
Total assets	\$ 1,101,630	\$ 679,242	\$ 1,780,872
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ -	\$ 8,778	\$ 8,778
Accrued payroll	-	273	273
Total liabilities	-	9,051	9,051
<b>NET ASSETS</b>			
Unrestricted	1,101,630	670,191	1,771,821
Total net assets	1,101,630	670,191	1,771,821
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,101,630</b>	<b>\$ 679,242</b>	<b>\$ 1,780,872</b>

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2006**

	Tax Revolving 2006	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>OPERATING REVENUES:</b>			
License and permits	\$ -	\$ 103,359	\$ 103,359
Charges for services	27,258	60,891	88,149
Penalties and interest on taxes	66,687	27,127	93,814
Other	530	3,626	4,156
	<u>94,475</u>	<u>195,003</u>	<u>289,478</u>
Total operating revenue			
<b>OPERATING EXPENSES:</b>			
Salaries and fringes	-	13,203	13,203
Administrative fees	-	38,644	38,644
Depreciation expense	-	3,000	3,000
Other	15	84,255	84,270
	<u>15</u>	<u>139,102</u>	<u>139,117</u>
Total operating expenses			
Operating income (loss)	<u>94,460</u>	<u>55,901</u>	<u>150,361</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest on investments	<u>5,297</u>	<u>29,091</u>	<u>34,388</u>
Income (loss) before transfers and contributions	99,757	84,992	184,749
Transfer in	1,001,873	17,396	1,019,269
Transfer out	<u>-</u>	<u>(1,061,606)</u>	<u>(1,061,606)</u>
Change in net assets	1,101,630	(959,218)	142,412
Total net assets - beginning	<u>-</u>	<u>1,629,409</u>	<u>1,629,409</u>
Total net assets - ending	<u>\$ 1,101,630</u>	<u>\$ 670,191</u>	<u>\$ 1,771,821</u>

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2006**

	Tax Revolving 2006	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ -	\$ 103,359	\$ 103,359
Cash received for collection of taxes	663,964	503,149	1,167,113
Other receipts	530	4,423	4,953
Payments for wages and related benefits	-	(13,063)	(13,063)
Cash payments for taxes	(1,002,217)	-	(1,002,217)
Other payments	(15)	(114,559)	(114,574)
Net cash provided (used) by operating activities	(337,738)	\$ 483,309	\$ 145,571
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating transfer in	1,001,873	17,396	1,019,269
Operating transfer out	-	(1,061,606)	(1,061,606)
Net cash provided (used) by noncapital financing activities	1,001,873	(1,044,210)	(42,337)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest earnings	5,297	29,091	34,388
Net increase (decrease) in cash and equivalents	669,432	(531,810)	137,622
Cash and equivalents, beginning of year	-	1,108,612	1,108,612
Cash and equivalents, end of year	\$ 669,432	\$ 576,802	\$ 1,246,234
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 94,460	\$ 55,901	\$ 150,361
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	-	3,000	3,000
Changes in assets and liabilities:			
(Increase) decrease in receivables	(432,198)	415,928	(16,270)
Increase (decrease) in accounts payable	-	8,340	8,340
Increase (decrease) in other liabilities	-	140	140
Total adjustments	(432,198)	427,408	(4,790)
Net cash provided by operating activities	\$ (337,738)	\$ 483,309	\$ 145,571

See accompanying notes to financial statements

**COUNTY OF IRON, MICHIGAN**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**December 31, 2006**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents:	
Unrestricted	\$ 430,625
Receivables:	
Accounts	784
Due from other governmental units	10,060
Due from other funds	<u>40,023</u>
Total assets	<u><u>\$ 481,492</u></u>
<b>LIABILITIES</b>	
Due to other funds	\$ 23,085
Undistributed taxes	218,369
Other liabilities	<u>240,038</u>
Total liabilities	<u><u>\$ 481,492</u></u>

See accompanying notes to financial statements

# COUNTY OF IRON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background – The County of Iron was organized under the Michigan Constitution. The County is operated under a Commission form of government and provides services in the following functional areas: legislative, courts, public records, public roads, management, building operation and expense, human services, resource management and development, law enforcement, and health services.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and management's Discussion and Analysis*. GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, management's discussion and analysis and reporting on infrastructure.

Reporting Entity - For financial reporting purposes, in conformance with GASB Statement 14, as amended by GASB Statement 39, Iron County (the primary government) includes all funds, account groups, agencies, boards, commissions, other component units, and authorities that are controlled by or dependent on the County's legislative branch, the County Commission. Control by or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, or receipt of significant subsidies from the County. In addition, State of Michigan - Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units - The County has one component unit for which the financial data has been blended with the primary government financial statements.

Economic Development Corporation – The Economic Development Corporation was incorporated as a non-profit corporation under the provisions of Act No. 338 of the Public Acts of 1974, as amended, for the purpose of preventing conditions of unemployment and to assist commercial enterprise in order to strengthen and revitalize the economy of Iron County. The Economic Development Corporation Board of Directors is appointed by the Iron County Board of Commissioners. Complete financial statements of the Economic Development Corporation can be obtained directly from their administrative office when available.

Economic Development Corporation  
2 South Sixth, Suite 8  
Crystal Falls, Michigan 49920

# COUNTY OF IRON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Discretely presented component unit - The component unit columns in the combined financial statements include the financial data of the Iron County Road Commission, Dickinson-Iron District Health Department, and the Iron County Medical Care Facility. The component units are reported in a separate column to emphasize that they are legally separate from the County.

Iron County Road Commission – A three-member board governs The Road Commission, which are elected. The Road Commission may not issue debt or levy property taxes without the County's approval. The Road Commission follows the requirements of the Uniform Budgeting and Accounting Act, Michigan Public Act 621 of 1978 in the preparation and execution of its' annual general appropriations act. Complete financial statements at the Road Commission can be obtained directly from their administration office.

Iron County Road Commission  
800 Franklin Street  
Iron River, Michigan 49935

Dickinson-Iron District Health Department – The members of the governing board of the Dickinson-Iron District Health are jointly appointed by the Iron County Board of Commissioners and the Dickinson County Board of Commissioners. The Health Department's operations and capital budgets are approved by the County Commissioners. Complete financial statements of the Health Department can be obtained directly from their administrative office.

Dickinson-Iron District Health  
601 Washington, P.O. Box 516  
Stambaugh, Michigan 49964

Iron County Medical Care Facility – The Facility is a 200-bed, long-term medical care unit owned and operated by Iron County. The facility also operates a 25-bed assisted living unit. It is governed by the Iron County Family Independence Agency Board. This Board consists of three members, two of whom are appointed by the Iron County Board of Commissioners, and one appointed by the Michigan Governor. Further, the Iron County Board of Commissioners approves the budget for the Facility. Complete financial statements of the Facility can be obtained directly from their administrative office.

Iron County Medical Care Facility  
1523 W. US 2  
Crystal Falls, Michigan 49920

Joint Ventures – Iron County participates with Menominee and Dickinson Counties in operating Northpointe, a Mental Health Center. The Board was created to provide mental health services to the citizens of the three counties. Northpointe's Board of Directors was appointed by the respective county

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

board of commissioners, and consist of five members from Menominee and Dickinson County and two members from Iron County. Northpointe was formed to provide a full range of mental health services for residents located within the three counties as required and permitted by the Michigan Mental Health Code. Complete financial statements for the Northpointe Behavioral Healthcare Systems can be obtained directly from their administrative office.

Northpointe Behavioral Healthcare Systems  
715 Pyle Drive  
Kingsford, Michigan 49801

Based on the foregoing criteria, the following organizations are not included in the financial report of the County of Iron:

Iron County Housing Corporation – The Housing Commission provides housing for the poor and the elderly with the use of federal (HUD) grants.

Iron County Chamber of Commerce – The Chamber of Commerce provides informational and economical development for tourism and business.

Iron County Community Hospitals, Inc. – The Community Hospitals, Inc. is a not-for-profit health system, which provides acute care and long-term care to the residents of Iron County, Michigan.

Accounting Policies - The accounting policies of the County of Iron conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following is a summary of the more significant policies:

Fund Accounting – The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide and fund financial statements – The government-wide financial statements include a Statement of Net Assets and a Statement of Activities which report the information on all non-fiduciary activities of the primary government and its component units. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely primarily on user fees and charges for service. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.



## COUNTY OF IRON, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

December 31, 2006

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operating or capital requirements of a particular function or segment and 3) other revenues that are by definition related to the cost of providing a specific function or segment. Taxes and other items not specific to particular functions or segments are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation – The government-wide financial statements use the economic resources measurement focus and full accrual basis of accounting which also include the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when the payment is due.

Property taxes, licenses, interest revenue and charges for services are considered susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following as major governmental funds:

General Fund – The General Fund is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

## COUNTY OF IRON, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

December 31, 2006

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Maintenance of Effort – Medicare Fund – The Maintenance of Effort - Medicare Fund was established to account for the maintenance of effort activities of the Medical Care Facility.

Revenue Sharing Reserve Fund – Public Act 357 of 2004 provides a funding mechanism to serve as a substitute to county revenue sharing payments. This substitute funding mechanism involves the gradual shift of county property tax millage from a winter tax levy to a summer tax levy and additionally, required the establishment of a restricted fund known as the Revenue Sharing Reserve Fund.

EDC/Revolving Loan Fund – The EDC/Revolving Loan Fund was established to alleviate and prevent conditions of unemployment, to assist and retain local industries and commercial enterprises, to strengthen and revitalize the economy of the County of Iron.

Refund Bond Debt Service Fund – The Refund Bond Debt Service Fund was established to account for the accumulation of resources for, and the payment of the 2005 Refunding Bonds.

2002 Medical Care Facility Bond Debt Retirement Fund – The 2002 Medical Care Facility Bond Debt Retirement Fund was established to account for the accumulation of resources for, and the payment of the bond debt relating to the construction of a 75-bed addition to the Medical Care Facility.

The County reports the following as major proprietary funds:

Tax Revolving 2006 – This fund accounts for the purchase and subsequent collection of delinquent real property taxes from the various taxing units throughout the county.

Additionally, the County reports the following fund types:

Agency funds – Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

# COUNTY OF IRON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Tax Revolving 2006 enterprise fund are charges to customers for interest and fees collected on delinquent property taxes. Operating expenses for enterprise funds include the cost of services and administrative expenses.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting - The County utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- a. In mid-year a proposed operating budget for the fiscal year commencing the following January 1st is submitted to the County Board of Commissioners. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least one formal public hearing conducted at the Courthouse to obtain taxpayer comment.
- c. Pursuant to statute, prior to commencement of a year, the budget for the ensuing year is legally enacted through adoption by the County Board of Commissioners.
- d. The general statute governing County budgetary activity is the Uniform Budgeting and Accounting Act.
- e. The County of Iron adopts its Annual Budget on a line item basis. The budget structure consists of levels of detail as follows:

Resources (revenues)  
General appropriations and functional groups  
Departmental appropriations

At each level of detail, governmental operations are summarized into revenue or expenditure account groups. Budgetary control exists at the level adopted by the Board of Commissioners. Accounting, i. e. classification control, resides at the line item detail level.

- f. Budgets are adopted on a basis consistent with the accounting principles followed in the recording of transactions. Budgeted amounts reflected in the financial statements are as originally adopted and subsequently amended by the County Board of Commissioners.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- g. Budgets of certain funds reflect utilization of a portion of beginning fund balance. Only the appropriated beginning fund balance amount is reflected in the budgets under the caption "Fund balance, beginning of year."
- h. Budgets have been amended during 2006. All budget amendments are presented to the Finance Committee. In December, the Board of Commissioners approved all amendments to the annual budget.

Cash Equivalents - For the purpose of the statement of cash flows, the County considers all highly liquid investments with maturities of less than three months as cash equivalents.

Investments - Investments are carried at market with all dividends being reinvested.

Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet.

Inventory - Inventory is priced at cost as determined on the first-in, first-out method for the Youth Camp special revenue fund.

Property Taxes - Assessed property values are established annually (the first Monday in March) by the local units of government and equalized by the State at an estimated 50% of current market value. Property taxable value is determined in accordance with (MCL 211.34d). The property taxes are levied based on taxable value on December 1, and are payable without penalty through the following February 28. The County tax is collected during this period by each local taxing district.

Real property taxes not paid by February 28 are purchased by the County as part of the March tax settlement. County property taxes are recognized as revenue in the current fiscal year when services financed by the levy are being provided.

The 2006 taxable valuation of Iron County amounted to \$385,333,562 on which ad valorem taxes of 6.2726 mills were levied for County operations, .4771 mills for Youth Camp, 1.4408 mills for Maintenance of Effort - Medicare, .2592 mills for Senior Citizens Fund, .2452 for Health Department, .898 mills for Refunded Bond Retirement, .50 mills for Courthouse Bond Retirement and 1.695 mills for the 2002 Medical Care Facility Bond Retirement.

# COUNTY OF IRON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The 2006 tax levy raised \$2,353,706 for County operating purposes, \$171,989 for the Youth Camp, \$510,292 for Maintenance of Effort – Medicare, \$93,459 for Senior Citizens Fund, \$90,715 for the Health Department, \$242,576 for Refunded Bond Retirement, \$215,330 for Courthouse Bond Retirement and \$717,847 for the 2002 Medical Care Facility Bond Retirement.

In 2006, the County was required by Public Act 357 of 2004 to set aside one-third of the December 2005 levy for County operations, \$730,543, into the Revenue Sharing Reserve Fund, leaving two-thirds of the levy for County General Fund operations. In July 2006, the County levied two-thirds of the total number of mills allocated for County operations and the proceeds from this levy will fund County operations for the 2006 fiscal year. For the December 1, 2006 levy, the County will levy one-third of the total number of mills allocated for County operations, with \$730,543 going into the Revenue Sharing Reserve Fund and the remaining amount going into the County General Fund to cover fiscal year 2007 operations. In July 2007, the County will levy the entire allocated County operating mills, which will be used to cover County operations for the 2007 fiscal year. For fiscal years 2007 and beyond, the County's operating mills will be levied as part of the July levy, leaving only the extra voted mills to be levied each December.

The Revenue Sharing Reserve Fund will be funded by property taxes in the amount of \$2,191,629 over a three-year period and will be used to transfer amounts annually to the General Fund in lieu of the County receiving State revenue sharing payments. The amounts to be transferred to the General Fund will be determined by the State of Michigan annually and an amount of \$231,293 was transferred for the 2006 fiscal year. The County estimates that the Revenue Sharing Reserve Fund will be depleted during the 2013 fiscal year.

Capital Assets – Capital assets which include property, buildings, equipment and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County, as well as its component units, are depreciated using the straight-line method over the following estimated useful lives, except for road equipment, which the sum-of-the-year's-digits are computed:

	<u>Years</u>
Buildings	20 - 50
Equipment	3 - 20
Vehicles	3 - 5
Infrastructure - Roads	8 - 30
Infrastructure - Bridges	12 - 50

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Compensated Absences – Compensated absences (unpaid vacation and sick leave) for governmental fund and similar component unit employees are recorded as expenditures in the year paid. It is the County's policy to liquidate any unpaid vacation or sick leave at year-end from future resources rather than currently available expendable resources. Accordingly, the entire unpaid liability for compensated absences for the governmental funds and similar component units are accrued in the government-wide financial statements and the proprietary financial statements.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity - Under the provisions of GASB Statement No. 1, a County may establish reserves for those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use. Fund equity designations also may be established to indicate tentative plans for financial resource utilization in a future period.

Other Financing Sources (Uses) - The transfers of cash between the various County funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing and borrowing funds, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE B – DEFICIT FUND BALANCE**

As of December 31, 2006, the Veterans Program Fund had a deficit fund balance in the amount of \$11. A deficit fund balance is a violation of Public Act 275.

COUNTY OF IRON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE C – CASH & EQUIVALENTS AND INVESTMENTS**

The composition of cash and equivalents, and investments as reported in the Statement of Net Assets is presented below:

	Primary Government	
	Carrying Amount	Bank Balance
Cash and equivalents:		
Deposits:		
Insured (FDIC)	\$ 552,086	\$ 558,956
Uninsured	4,669,025	5,114,615
Total cash	<u>\$ 5,221,111</u>	<u>\$ 5,673,571</u>
Government-Wide Statement of Net Asset Presentation:		
Cash and equivalents:		
Restricted	\$ 12,000	
Unrestricted	4,778,486	
Statement of Fiduciary Net Assets		
Cash and equivalents:		
Unrestricted	430,625	
Total cash and equivalents	<u>\$ 5,221,111</u>	
Component Units:		
Cash and equivalents:		
Road Commission	\$ 423,448	
District Health Department	283,655	
Medical Care Facility	509,108	
Total cash and equivalents	<u>\$ 1,216,211</u>	
Assets limited as to use:		
Medical Care Facility	<u>\$ 49,321</u>	

Michigan statutes authorize the County to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, saving accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE C – CASH & EQUIVALENTS AND INVESTMENTS (continued)**

*Interest Rate Risk.* The County carries no significant interest rate risk as all of its holdings are in bank accounts with a high degree of liquidity.

*Credit Risk.* State laws limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations with a maximum maturity of 270 days. As of December 31, 2006, the County did not hold any commercial paper.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure the County's deposits may not be returned. At December 31, 2006, the County held \$5,673,571 in certificates of deposit, and checking and savings accounts. Of this amount, \$5,114,615 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are in the opinion of management, subject to minimal risk.

*Concentration of Credit Risk.* The County has no significant concentration of credit risk due to the fact that its deposits are with area banks.

*Foreign Currency Risk.* The County has no foreign currency risk as it has no deposits or investments in foreign currency.

All deposits for the County are in accordance with statutory authority.

Restricted Cash:

County Parks Fund – Cash received in the amount of \$12,000 for the purpose of restoring burial grounds at Pentoga Park.

Assets Limited as to Use:

Iron County Medical Care Facility – Assets limited as to use include assets held by trustees under indenture agreements and designated assets set aside by the board for future capital improvement, over which the board retains control, and may, at its discretion, subsequently use for other purposes.



**COUNTY OF IRON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE D – INTERFUND RECEIVABLES AND PAYABLES**

Individual interfund receivable and payable balances at December 31, 2006 are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General Fund	\$ 1,800	Veterans Program	\$ 1,800
Veterans Program	114	Veterans Trust	114
Register of Deeds Automation	4,105		
General Trust & Agency	5,705		
Enhanced 911	23,281		
Revenue Sharing Reserve	27,163		
Flex Spending	11,233		
Subtotal	71,487	General Fund	71,487
MEDC Grant Construction	14,918	EDC/Revolving Loan	14,918
EDC/Revolving Loan	29,767	Youth Camp	29,767
Flex Spending	23,085	General Trust & Agency	23,085
Total	\$ 141,171	Total	\$ 141,171

Financial Statement Presentation:

Governmental Funds	\$ 101,148	Governmental Funds	\$ 118,086
Fiduciary Funds	40,023	Fiduciary Funds	23,085
Total	\$ 141,171	Total	\$ 141,171

COUNTY OF IRON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE E – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006, was as follows:

	Balance at 01/01/06	Additions	Disposals	Balance at 12/31/06
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 166,118	\$ -	\$ -	\$ 166,118
Capital assets being depreciated:				
Buildings	6,685,882	650,000	-	7,335,882
Equipment	180,447	58,270	-	238,717
Vehicles	89,801	36,056	19,385	106,472
Infrastructure	50,029	-	-	50,029
Total depreciable assets	7,006,159	744,326	19,385	7,731,100
Total capital assets	7,172,277	744,326	19,385	7,897,218
Less accumulated depreciation:				
Buildings	1,931,943	258,072	-	2,190,015
Equipment	17,425	26,078	-	43,503
Vehicles	38,797	19,297	19,385	38,709
Infrastructure	11,536	4,853	-	16,389
Total accumulated depreciation	1,999,701	308,300	19,385	2,288,616
Net capital assets being depreciated	5,006,458	436,026	-	5,442,484
Governmental activities capital assets, net	<u>\$ 5,172,576</u>	<u>\$ 436,026</u>	<u>\$ -</u>	<u>\$ 5,608,602</u>
Business-type activities:				
Capital assets being depreciated:				
Vehicles	\$ 18,000	\$ -	\$ -	\$ 18,000
Less accumulated depreciation:				
Vehicles	3,000	3,000	-	6,000
Business-type activities capital assets, net	<u>\$ 15,000</u>	<u>\$ (3,000)</u>	<u>\$ -</u>	<u>\$ 12,000</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Judicial system	\$ 31,040
General government	109,686
Public safety	145,004
Cultural and recreation	22,570
Total governmental activities	<u>\$ 308,300</u>
Business-type activities:	
Building inspection	<u>\$ 3,000</u>

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE F - ROAD COMMISSION CAPITAL ASSETS**

The following is a summary of changes in capital assets of the Road Commission:

	Balance at 01/01/06	Additions	Disposals	Balance at 12/31/06
Capital assets not being depreciated:				
Land and improvements	\$ 26,568	\$ -	\$ -	\$ 26,568
Construction in progress	792,748	1,402,324	514,356	1,680,716
Total nondepreciable assets	<u>819,316</u>	<u>1,402,324</u>	<u>514,356</u>	<u>1,707,284</u>
Capital assets being depreciated:				
Buildings and improvements	3,234,888	341,855	-	3,576,743
Road equipment	3,361,830	290,126	500	3,651,456
Shop equipment	85,886	450	-	86,336
Engineers' equipment	22,667	-	-	22,667
Office equipment	73,305	-	-	73,305
Infrastructure - Roads	4,241,222	1,191,803	-	5,433,025
Infrastructure - Bridges	38,926	-	-	38,926
Total depreciable assets	<u>11,058,724</u>	<u>1,824,234</u>	<u>500</u>	<u>12,882,458</u>
Total capital assets	<u>11,878,040</u>	<u>3,226,558</u>	<u>514,856</u>	<u>14,589,742</u>
Less accumulated depreciation:				
Buildings and improvements	481,813	100,405	-	582,218
Road equipment	2,859,803	297,280	500	3,156,583
Shop equipment	63,718	3,736	-	67,454
Engineers' equipment	16,783	1,253	-	18,036
Office equipment	60,409	2,931	-	63,340
Infrastructure - Roads	187,845	223,567	-	411,412
Infrastructure - Bridges	1,100	705	-	1,805
Total accumulated depreciation	<u>3,671,471</u>	<u>629,877</u>	<u>500</u>	<u>4,300,848</u>
Net capital assets being depreciated	<u>7,387,253</u>	<u>1,194,357</u>	<u>-</u>	<u>8,581,610</u>
Total net capital assets	<u>\$ 8,206,569</u>	<u>\$ 2,596,681</u>	<u>\$ 514,356</u>	<u>\$ 10,288,894</u>

The Road Commission has elected to prospectively report infrastructure assets, rather than retroactively report on infrastructure, as permitted by GASB Statement 34.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE G – DISTRICT HEALTH CAPITAL ASSETS**

A summary of capital assets as of December 31, 2006 for the Dickinson-Iron District Health Department:

Capital assets:	
Equipment	\$ 82,352
Less: Accumulated depreciation	<u>26,296</u>
Capital assets, net	<u>\$ 56,056</u>

**NOTE H – MEDICAL CARE FACILITY CAPITAL ASSETS**

A summary of capital assets as of December 31, 2006 for the Iron County Medical Care Facility:

	<u>01/01/06</u>	<u>Additions</u>	<u>Transfers</u>	<u>12/31/06</u>	<u>Depreciable Life - Years</u>
Land and land improvements	\$ 445,760	\$ 49,246	\$ -	\$ 445,760	10 - 25
Building	19,012,402	206,261	-	19,218,663	10 - 40
Fixed equipment	1,030,909	-	-	1,030,909	4 - 20
Moveable equipment	<u>2,109,565</u>	<u>-</u>	<u>-</u>	<u>2,109,565</u>	4 - 20
Total capital assets	<u>22,598,636</u>	<u>255,507</u>	<u>-</u>	<u>22,804,897</u>	
Less accumulated depreciation:					
Land and land improvements	399,668	15,580	-	415,248	
Building	2,800,969	494,740	-	3,295,709	
Fixed equipment	970,395	13,430	-	983,825	
Moveable equipment	<u>1,254,553</u>	<u>117,400</u>	<u>-</u>	<u>1,371,953</u>	
Total accumulated depreciation	<u>5,425,585</u>	<u>641,150</u>	<u>-</u>	<u>6,066,735</u>	
Net carrying amount	<u>\$17,173,051</u>	<u>\$ (385,643)</u>	<u>\$ -</u>	<u>\$16,787,408</u>	

COUNTY OF IRON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE I – LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended December 31, 2006:

Type of Debt	Balance 1/01/06	Additions	Deductions	Balance 12/31/06	Amounts Due Within One Year
Governmental activities:					
General Obligation Unlimited Tax Bonds:					
Jail	\$ 140,000	\$ -	\$ 140,000	\$ -	\$ -
Medical Care Facility - 2002	8,485,000	-	360,000	8,125,000	370,000
County Courthouse Complex - 2003	2,742,230	-	50,000	2,692,230	55,000
Refunding Bonds - 2005	2,960,000	-	140,000	2,820,000	300,000
General Obligation Limited Tax Bonds:					
County Courthouse Complex - 2003	387,000	-	7,000	380,000	8,000
US 2 Lift Station Improvements - 2004	107,000	-	107,000	-	-
Maintenance of Effort	284,365	22,321	-	306,686	-
Compensated absences	210,675	-	8,216	202,459	50,615
Total governmental activities long-term debt	<u>\$15,316,270</u>	<u>\$ 22,321</u>	<u>\$ 812,216</u>	<u>\$14,526,375</u>	<u>\$ 783,615</u>

Debt service requirements on long-term debt at December 31, 2006 are as follows:

For the Year Ending December 31	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2007	\$ 733,000	\$ 559,261
2008	758,000	535,627
2009	793,000	509,356
2010	829,000	480,404
2011	884,000	449,115
2012-2016	3,991,000	1,473,651
2017-2021	3,534,000	970,446
2022-2026	1,329,000	346,953
2027-2031	798,000	182,416
2032-2033	368,230	23,623
Total	<u>\$ 14,017,230</u>	<u>\$ 5,530,852</u>

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE I – LONG-TERM DEBT (continued)**

**Governmental Activities:**

Medical Care Facility Bonds - 2002

Medical Care Facility Bonds, 2002 are general obligation unlimited tax bonds that were issued by the County for the purpose of acquiring, constructing and equipping a 71-bed addition to, and renovating and equipping portions of the County's Medical Care Facility. The bonds are payable semi-annually on June 1 and November 29 until maturity, and bear interest at varying rates from 2.0% to 4.6%. Bonds are due serially from June 1, 2003 until June 1, 2022.

The bonds maturing in the years 2003 to 2012, inclusive, shall not be subject to optional redemption prior to maturity. The bonds or portions of bonds in multiples of \$5,000 maturing in the years 2013 to 2022, inclusive, shall be subject to redemption at the option of the County in such order of maturity as the County shall determine and within a single maturity by lot on any interest payment date on or after June 1, 2012 at par plus accrued interest to the date fixed for redemption.

Bonds maturing on June 1, 2022 (the "Term Bonds") are subject to mandatory redemption by the County at par plus accrued interest to the date of redemption on the dates and in the principal amounts set forth in the following table. The Term Bonds to be mandatorily redeemed shall be selected by lot in such a manner as shall be determined by Fifth Third Bank, Michigan, Grand Rapids, Michigan ("the Transfer Agent").

<u>Term Bond Due June 1, 2002</u>	
Redemption	
<u>June 1</u>	<u>Amount</u>
2020	\$ 630,000
2021	660,000
2022	690,000

2003 County Courthouse Complex Tax Bonds

2003 County Courthouse Complex Bonds consist of general obligation unlimited tax bonds issued in the amount of \$2,837,230 for the purpose of paying part of the cost to acquire, construct and equip renovations and improvements to the County Courthouse Complex. Bond principal and interest requirements will be met by an ad valorem tax levy of .6 mills.

These bonds bear an interest rate of 4.25%, with interest payable on February 1, 2004 and semi-annually thereafter, provided that the principal payments required to the registered owner shall not exceed the total of the principal installments of this bond drawn by the County. Principal payments are required to be made August 1, 2004, and annually thereafter, until August 1, 2033.

## COUNTY OF IRON, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

December 31, 2006

#### **NOTE I – LONG-TERM DEBT (continued)**

##### Refunding Bonds, Series 2005

2005 Refunding Bonds consist of general obligation unlimited tax refunding bonds issued in the amount of \$2,960,000 for the purpose of refunding the County's Medical Care Facility Bonds, Series 1992, maturing in the years 2006 through 2012 and the County's Jail Bonds, Series 1995, maturing in the years 2007 through 2015. Bond principal and interest requirements will be met by an ad valorem tax levy of .675 mills.

These bonds bear interest at varying rates from 3.0% to 4.0%, with interest payable on May 1, 2005 and semi-annually thereafter. Principal payments are required to be made May 1, 2006, and annually thereafter, until May 1, 2015.

##### 2003 County Courthouse Complex Limited Tax Bonds

2003 County Courthouse Complex Limited Tax Bonds consist of general obligation limited tax bonds issued in the amount of \$400,000 for the purpose of paying part of the costs to acquire, construct and equip renovations and improvements to the County Courthouse Complex.

These bonds bear an interest rate of 4.25%, with interest payable on February 1, 2004 and semi-annually thereafter, provided that the principal payments required to the registered owner shall not exceed the total of the principal installments of this bond drawn by the County. Principal payments are required to be made August 1, 2004, and annually thereafter until August 1, 2033.

##### Maintenance of Effort Obligation

Maintenance of Effort (M.O.E.) is a County obligation to the State of Michigan. Every month, the County receives a bill from the State of Michigan for each Medicaid resident day approved by the State during that month. M.O.E. is being paid by the County out of voter approved millage funds.

##### **Compensated Absences:**

Substantially all County employees are entitled to certain vacation and sick pay benefits that accrue and vest under various parameters, dependent upon which labor contract the employee is subject to or upon which department or fund the employee is within. Compensated absences in the amount of \$202,459 are reported under the governmental activities in the Statement of Net Assets.

COUNTY OF IRON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE J - ROAD COMMISSION LONG-TERM DEBT**

**Bonds Payable:**

On January 1, 2003, the County of Iron issued Michigan Transportation Fund Bonds in the amount of \$2,300,000, for the purpose of acquiring, constructing, and furnishing and equipping a new county road commission central garage complex for use by the Iron County Road Commission. The issue requires semi-annual payments each February 1<sup>st</sup> and August 1<sup>st</sup> for a term of 30 years with a variable interest rate between 3.75% and 5.00%. February 1<sup>st</sup> payments consist of interest only and August 1<sup>st</sup> payments consist of principal and interest. Final payment is due August 1, 2032.

**Leases Payable:**

In 2005, the Iron County Board of Road Commissioners entered into a lease purchase agreement to finance the acquisition of a Caterpillar Track-Type Tractor. The agreement requires annual payments of \$15,666 at 5.35% interest on January 23<sup>rd</sup>, and a final payment due on January 23, 2011.

In 2006, the Iron County Board of Road Commissioners entered into a lease purchase agreement to finance the acquisition of two 2006 International 5600 Dump Trucks. Semi-annual payments to Harco Leasing Company, Inc. are due on February 1<sup>st</sup> and August 1<sup>st</sup> consisting of both principal and interest, at an interest rate of 4.95%, with a total payment amount of \$76,522. Final payment is due February 1, 2008.

**Compensated Absences:**

Road commission employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of the employee. The annual vacation benefits earned by each employee are credited at the beginning of the year. An employee who is eligible for vacation leave in excess of twenty (20) days, may, with the consent of the employer, take pay at the employee's regular rate of pay for time in excess of twenty (20) days in-lieu-of vacation leave.

Employees may carry over a maximum of ten (10) days vacation into the next year. An employee leaving the services of the Road Commission will be paid all unused vacation carried over to January 1<sup>st</sup> up to a maximum of ten (10) days, plus any vacation earned, on a prorated basis to the end of the month of separation, in accordance with the vacation policy in effect at this time.

Road Commission employment policies provide that each full-time employee shall earn sick leave with pay at the rate of eight (8) hours for each month of employment in which the employee is compensated for at least eighteen (18) days, with unlimited accumulation. Upon permanent separation from employment, employees shall be paid for all of their accumulated sick leave at the employee's prevailing rate of pay up to a maximum of ninety (90) days. In the event their balance at time of retirement is over ninety (90) days, all accumulated excess of the ninety (90) days will be paid at the rate of fifty percent (50%). The total sick and vacation leave amount of \$285,769 is recorded in the statement of net assets as a liability.



COUNTY OF IRON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE J - ROAD COMMISSION LONG-TERM DEBT (continued)**

The general long-term debt of the Road Commission may be summarized as follows:

Type of Debt	Balance 1/1/2006	Additions	Deductions	Balance 12/31/2006	Amounts Due Within One Year
Bonds payable:					
Road Commission Facility Project	\$ 2,145,000	\$ -	\$ 45,000	\$ 2,100,000	\$ 45,000
Leases payable:					
Caterpillar Track-Type Tractor	66,900	-	-	66,900	12,120
(2) International Dump Trucks	-	288,048	69,393	218,655	143,981
Vested Employee Benefits Payable:					
Vacation Benefits	23,812	-	3,051	20,761	5,190
Sick Leave Benefits	279,298	-	14,290	265,008	66,252
Total long-term debt	<u>\$ 2,515,010</u>	<u>\$ 288,048</u>	<u>\$ 131,734</u>	<u>\$ 2,671,324</u>	<u>\$ 272,543</u>

Debt service requirements on long-term debt at December 31, 2006 are as follows:

For the Year Ending December 31	County Road Commission			
	Bonds Payable		Leases Payable	
	Principal	Interest	Principal	Interest
2007	\$ 45,000	\$ 95,260	\$ 156,101	\$ 12,609
2008	50,000	93,573	87,437	4,751
2009	50,000	91,698	13,439	2,227
2010	50,000	89,823	14,151	1,515
2011	55,000	87,948	14,427	1,239
1012-2016	295,000	406,905	-	-
2017-2021	365,000	338,950	-	-
2022-2026	465,000	246,126	-	-
2027-2031	590,000	124,648	-	-
2032	135,000	6,750	-	-
Total	<u>\$ 2,100,000</u>	<u>\$ 1,581,681</u>	<u>\$ 285,555</u>	<u>\$ 22,341</u>

COUNTY OF IRON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE K – MEDICAL CARE FACILITY LONG-TERM DEBT**

To finance the assisted-living project, the Facility entered into a capital lease arrangement with Iron County. The Facility will make payments to the County equal to the required principal and interest payments on the bonds acquired by the County. The bond yield currently is 5.44%, with a final maturity on November 14, 2022. Principal and interest are due semiannually on May 14th and November 14th.

To finance renovations to a lift station, the Facility entered into an agreement with Iron County. The note has an interest rate of 6.24%, with a final maturity of August 12, 2023. Principal payments are due on August 12<sup>th</sup> and interest payments are due on February 12<sup>th</sup> and August 12<sup>th</sup>.

Long-term debt activity for the year ended December 31, 2006 was as follows:

	<u>1/1/2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2006</u>	<u>Due Within One Year</u>
Bonds Payable	\$ 3,633,293	\$ -	\$ (137,768)	\$ 3,495,525	\$ 149,683
Notes Payable	<u>106,000</u>	<u>-</u>	<u>(4,000)</u>	<u>102,000</u>	<u>4,000</u>
Total	<u>\$ 3,739,293</u>	<u>\$ -</u>	<u>\$ (141,768)</u>	<u>\$ 3,597,525</u>	<u>\$ 153,683</u>

The following is a schedule of bond and loan principal and interest, and future minimum lease payments as of December 31, 2006:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 153,683	\$ 170,979
2008	160,869	163,582
2009	168,598	155,644
2010	177,521	147,511
2011	185,884	138,887
2012-2016	1,071,693	550,176
2017-2021	1,359,738	263,217
2022-2023	<u>319,539</u>	<u>12,168</u>
Total	<u>\$ 3,597,525</u>	<u>\$ 1,602,164</u>

COUNTY OF IRON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE L - OPERATING TRANSFERS IN AND OUT**

Transfers between governmental and proprietary funds are summarized as follows:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 306,857	\$ 292,201
County Parks	-	16,000
Maintenance of Effort - Medicare Fund	-	300,000
Friend of the Court Incentive	-	5,630
Register of Deeds Automation	21,605	-
Revenue Sharing Reserve Fund	-	231,293
Enhanced 911 Fund	20,480	-
Child Care Fund	100,852	-
Solders Relief	600	-
Drug Court Grant	17,285	-
Law Library	21,780	-
Plat Book Fund	-	15,000
Airport Fund	3,599	-
Alcohol Assessment	-	20,151
Veterans Trust Fund	746	-
Veterans Program Fund	53,256	1,346
Fairgrounds Fund	12,475	-
EDC/Revolving Loan	12,500	-
Jail Bond Retirement	-	104,722
Refund Bond Debt Service	223,131	-
Medical Bond Debt Retirement	-	118,409
2003 Courthouse Debt Retirement	23,447	-
2003 Road Commission Building Debt	151,977	12,927
DNR Pentoga Construction Fund	16,000	-
Courthouse Repair Fund	7,000	-
Enterprise Funds:		
Construction Code Fund	-	3,038
Tax Revolving 1998	-	13,180
Tax Revolving 2002	13,180	-
Tax Revolving 2003	-	39,768
Tax Revolving 2004	-	354,125
Tax Revolving 2005	-	651,495
Tax Revolving 2006	1,001,873	-
Tax Revolving Administration	4,216	-
Component Units:		
Road Commission	12,927	151,977
District Health	5,476	-
Medical Care Facility	300,000	-
Total	<u>\$ 2,331,262</u>	<u>\$ 2,331,262</u>

COUNTY OF IRON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE M - RETIREMENT PLANS**

**General County**

Defined Contribution Plan Description – The County of Iron participates in a defined contribution plan administered by the Municipal Employee's Retirement System (MERS). The retirement plan covers regular full-time and part-time employees hired after April 1, 2004.

For full-time employees, the County agrees to fund 6% of the gross employee earnings per pay period into a Section 401(a) defined contribution individual retirement account. To encourage full-time employees to participate, the County agrees to match individual pre-tax contribution into a section 457 Deferred Compensation Program, 50% employer and 50% employee, up to and additional 6% (3% employer and 3% employee) for a total of 12% (9% employer and 3% employee).

For part-time employees, the County agrees to fund 4% of the gross employee earnings per pay period into a Section 401(a) defined contribution individual retirement account. To encourage part-time employees to participate, the County agrees to match individual pre-tax contributions into a Section 457 Deferred Compensation Program, 50% employer and 50% employee, up to and additional 6% (3% employer and 3% employee) for a total of 10% (7% employer and 3% employee).

Both full-time and part-time employees have the option of providing additional unmatched pre-tax contributions to their individual Section 457 retirement account as authorized by the plan. A vesting schedule gives employees 20% vesting per year and at the end of the fifth year employees will be 100% vested on the employer's contribution portion. Employees are always 100% vested on the employee contribution portion.

During the 2006 fiscal year, employer and employee contributions relating to the defined contribution plan were \$14,482 and \$4,316, respectively.

Defined Benefit Plan Description – The County of Iron participates in a defined benefit contributory retirement plan administered by the Municipal Employee's Retirement System (MERS). The retirement plan covers full-time and limited part-time employees hired prior to April 1, 2004. MERS is a multiple-employer public employee retirement system that acts as a common investment and administrative agent for Michigan municipal employees.

MERS was organized pursuant to Section 12a of Act No. 156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE M - RETIREMENT PLANS (continued)**

The General County offers its various departments either benefit B-1, B-2 or B-3. Under benefit B-1 employees shall receive 1.7% of their three-year final average compensation (FAC); under benefit B-2 employees shall receive 2.0% of their three-year FAC; and under benefit B-3 provides for employees to receive 2.25% of FAC, with a maximum of 80% of final average compensation. Retirement eligibility and requirements vary by department. The most recent actuarial report gives the details of the plan and a copy is on file at the County Treasurer's office.

Actuarial Accrued Liability – The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2005. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.4% per year, plus a percentage based on age-related scale to reflect merit, longevity and promotional salary increases.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2005 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

**GASB 25 INFORMATION (as of 12/31/05)**

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 5,642,236
Terminated employees not yet receiving benefits	718,859
Non-vested terminated employees	49,902
Current Employees:	
Accumulated employee contributions including allocated investment income	1,477,299
Employer financed	<u>9,766,084</u>
Total actuarial accrued liability	17,654,380
Net assets available for benefits, at actuarial value (market value is \$14,780,214 )	<u>15,180,227</u>
Unfunded (overfunded) actuarial accrued liability	<u><u>\$ 2,474,153</u></u>

**GASB 27 INFORMATION (as of 12/31/05)**

Fiscal year beginning	January 1, 2007
Annual required contribution (ARC)	\$ 746,472
Amortization factor used	0.053632

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE M - RETIREMENT PLANS (continued)**

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2005 were determined using the entry age normal cost actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2003	\$ 162,957	100%	-
2004	164,988	100%	-
2005	176,554	100%	-

The General County was required to contribute \$179,976 for the year ended December 31, 2006. Payments were based on contribution calculations made by MERS.

The County is required to contribute at an actuarially determined rate, which are a percentage of covered payrolls as listed below:

Valuation Division	Contribution Percentage		
	2007*	2006*	2005*
General	\$7,132 #	14.79%	14.40%
Sheriff	\$2,951 #	13.23%	12.69%
ASFME Union Employees	4.25%	4.25%	4.25%
AFSCME Courthouse Employees	11.12%	11.23%	12.10%
911 Dispatchers	11.42%	10.90%	7.88%
Sheriff & Undersheriff	\$1,222 #	13.48%	12.55%
Admin Staff & RN Group	15.32%	15.52%	15.88%
SEIU Union Employees	4.25%	4.25%	4.25%
RN Employees	10.25%	10.58%	10.33%
MCF/Crystal Manor	\$0 #	4.25%	4.25%

\* Represents the actuarial required contribution for the fiscal year ended.

# Beginning in 2007, a monthly dollar contribution is shown for divisions that are closed to new hires.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE M - RETIREMENT PLANS (continued)**

Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date December 31,	Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2003	\$ 15,366,394	\$ 12,919,386	\$ 2,447,008	84%	\$ 8,042,254	30%
2004	16,280,905	14,047,247	2,233,658	86%	7,879,383	28%
2005	17,654,380	15,180,227	2,474,153	86%	8,718,022	28%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

**County Road Commission - Component Unit**

Plan Description – The Iron County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employee's Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post retirement adjustments to plan members and their beneficiaries. The most recent period for which actuarial date was available was for the fiscal year ended December 31, 2005.

The Road Commission offers its participants either benefits B-3 or B-4. Under benefit B-3, employees shall receive 2.25% of their five-year final average compensation with a maximum benefit of 80% of final average compensation. Under benefit B-4, employees shall receive 2.5% of their three-year final average compensation, with a maximum of 80% of final average compensation. Retirement eligibility and requirement vary by plan division. The most recent actuarial report gives the details of the plan and a copy is on file at the Road Commission office.

Actuarial Accrued Liability – The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2005. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 4.5% per year, plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2005 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE M - RETIREMENT PLANS (continued)**

**GASB 25 INFORMATION (as of 12/31/05)**

Actuarial Accrued Liability:		
Retirees and beneficiaries currently receiving benefits	\$	4,935,268
Terminated employees not yet receiving benefits		44,842
Current Employees:		
Accumulated employee contributions including allocated investment income		111
Employer financed		4,226,562
		<hr/>
Total actuarial accrued liability		9,206,783
Net assets available for benefits, at actuarial value (market value is \$4,925,183 )		5,239,977
		<hr/>
Unfunded (overfunded) actuarial accrued liability	\$	3,966,806
		<hr/>

**GASB 27 INFORMATION (as of 12/31/05)**

Fiscal year beginning	January 1, 2007
Annual required contribution (ARC)	\$ 325,908
Amortization factor used - underfunded liabilities (30 years)	0.053632

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2005 were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2003	\$ 269,972	100%	-
2004	305,609	100%	-
2005	333,337	100%	-

The Road Commission was required to contribute \$312,733 for the year ended December 31, 2006. Payments were based on contributions calculations made by MERS.



**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE M - RETIREMENT PLANS (continued)**

The Road Commission is required to contribute at an actuarially determined rate, which are a percentage of covered payrolls as listed below:

Valuation Division	Contribution Percentage		
	2007*	2006*	2005*
Comm/Sal/Non-Un	27.72%	29.29%	34.19%
Tmsters Local 328	32.50%	30.62%	27.10%
Hourly Non-Union	25.70%	26.78%	27.15%

\* Represents the actuarial required contribution for the fiscal year ended.

**Aggregate Accrued Liabilities - Comparative Schedule**

Valuation Date December 31,	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2003	4,877,534	8,494,617	3,617,083	57%	1,099,393	329%
2004	5,045,678	8,898,836	3,853,158	57%	1,081,518	356%
2005	5,239,977	9,206,783	3,966,806	57%	1,069,367	371%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

**District Health - Component Unit**

Defined Contribution Plan Description – Effective January 1, 2006, the Dickinson-Iron District Health Department adopted a Defined Contribution Plan administered by the Municipal Employees Retirement System (MERS). AFSCME (Division #10) and Non-Union (Division #11) employees and employees eligible for MERS membership hired after January 1, 2006, or who have previously not participated in MERS are eligible to participate in the plan. Normal retirement age under the plan shall be age 60 (not to exceed age 65).

Defined contribution plan contribution provisions are as follows:

Employer Contributions	Required Employee Contributions
5%	0%
6%	1%
7%	2%

COUNTY OF IRON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE M - RETIREMENT PLANS (continued)**

Defined contribution plan vesting provisions are as follows:

Years of Service Completed	Specified Vesting Requirements
0	0%
1	20%
2	40%
3	60%
4	80%
5 or more	100%

During the 2006 fiscal year, employer and employee contributions relating to the defined contribution plan were \$2,008 and \$574, respectively.

Defined Benefit Plan Description

The Dickinson-Iron District Health Department is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post retirement adjustments to plan members and their beneficiaries. The Health Department offers benefit B-4. Under B-4, employees shall receive 2.5% of FAC, with a maximum benefit of 80% of final average compensation (FAC). The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2005.

Actuarial Accrued Liability – The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2005. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 4.5% per year, plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2005 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

**COUNTY OF IRON, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE M - RETIREMENT PLANS (continued)**

**GASB 25 INFORMATION (as of 12/31/05)**

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 2,867,811
Terminated employees not yet receiving benefits	750,659
Non-vested terminated employees	12,465
Current Employees:	
Accumulated employee contributions including allocated investment income	123,471
Employer financed	<u>2,079,376</u>
Total actuarial accrued liability	5,833,782
Net assets available for benefits, at actuarial value (market value is \$4,900,882)	<u>5,033,519</u>
Unfunded (overfunded) actuarial accrued liability	<u><u>\$ 800,263</u></u>

**GASB 27 INFORMATION (as of 12/31/05)**

Fiscal year beginning	January 1, 2007
Annual required contribution (ARC)	\$ 142,140
Amortization factor used	0.053632

Contributions Required and Contributions Made – MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2005 were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

<u>Annual Pension Cost Year Ended December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
2003	\$ 97,915	100%	-
2004	163,769	100%	-
2005	149,839	100%	-

The Health Department was required to contribute \$123,123 for the year ended December 31, 2006. Payments are based on contribution calculations made by MERS.